

**SUMMARY OF THE MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
INVESTMENT COMMITTEE**

HELD ON

**Tuesday, September 30, 2008
3:30 p.m.**

The Investment Committee (IC) of the Arizona State Retirement System (ASRS) met at 3300 N. Central Avenue, 14th Floor Conference Room, Phoenix, Arizona 85012. Mr. Lawrence Trachtenberg, Chair of the IC, called the meeting to order at 3:30 p.m., Arizona Time.

The meeting was teleconferenced to the ASRS Tucson office, 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Lawrence Trachtenberg, Chair
Mr. Christopher Harris, Vice-chair
Mr. Thomas Connelly
Mr. James McLaughlin – present via teleconference until 4:45 PM

A quorum was present for the purpose of conducting business.

2. Approval of the Minutes of the July 7, 2008 IC Meeting

Motion: Mr. Christopher Harris moved the minutes of the July 7, 2008, IC meeting be adopted as presented. Mr. Thomas Connelly seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

3. Presentation, Discussion, and Appropriate Action Regarding ASRS Strategic and Tactical Investment Program Design and Implementation (Part 1)

Mr. Lawrence Trachtenberg introduced the topic. Mr. Gary R. Dokes, Chief Investment Officer (CIO), noted the ultimate objective of having an exchange of ideas and perspectives by IC members is to formalize a corporate “house view” regarding ASRS strategic and tactical investments and how best to implement and structure these investments to achieve ASRS’ primary long-term investment performance goals, i.e., a 10-year rolling annual rate of return equal to or greater than 8%.

Mr. Dokes facilitated a comprehensive discussion regarding the compositional structure of ASRS Public Equity and Fixed Income Programs, in the context of academic and empirical analyses. The following topics were debated.

1. Optimal ASRS U.S. Equity % Allocation to Large Cap, Mid Cap, Small Cap: Market-cap, Equal Weighted-Cap, Small-Cap bias (Fama/French), etc.
2. Optimal ASRS U.S. and International Equity Style (Core, Value, Growth) Allocation: Does style matter? Beta Core position, etc? Strategic or Tactical style weightings?
3. Optimal ASRS Equity/Fixed Income Passive Allocation: Alpha/Beta separation, Persistence of Manager Performance, Ability to Select, Retain Managers who outperform their benchmarks (primary), retain top quartile performance (secondary), etc.

Mr. Dokes summarized the discussion, noting it was the beginning of a process. Additional strategic discussions are to be held at future IC meetings to be scheduled prior to the December 2008 Board Meeting.

4. Presentation, Discussion, and Appropriate Action Regarding the ASRS General Investment Consulting Contract

Mr. Trachtenberg introduced the topic. Mr. Dokes said the General Investment Consulting contracts with Mercer, Callan, and R.V. Kuhns expire on January 21, 2009. Mercer is ASRS' primary general consultant; Callan and R.V. Kuhns are backup consultants and through the direction of the IC Chair, Director, or CIO, may be engaged at the request of the Board, IC, Director, or CIO. General consulting services include but are not limited to performance measurement and reporting, investment manager searches, strategic and tactical investment allocation analyses/recommendations, strategic policy and operation procedure review, and requested special projects.

A Request for Proposal (RFP) was developed (with the input and comments of IC Trustees) and issued. A list of the RFP respondents was distributed and copies of the responses were made available to the Evaluation Committee. The Evaluation Committee consists of all the IC members, the Director, CIO, and the ASRS Procurement Manager. An IC meeting to discuss the RFP responses was tentatively planned for October 8, 2008. One or two additional IC meetings are to be scheduled for this purpose, prior to the December 2008 Board Meeting.

5. Call to the Public

No members of the public requested to speak to the IC.

The meeting adjourned at 5:56 PM.

Respectfully submitted,

Lisa Hanneman, Secretary Date

Gary R. Dokes, Chief Investment Officer Date